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***ECONOMIC
INVESTMENT
TRUST
LIMITED***



**Forty-Ninth
ANNUAL REPORT
December 31, 1975**

HEAD OFFICE	<i>Tenth Floor, 165 University Avenue, Toronto, Ontario</i>
SHARES LISTED	<i>Toronto Stock Exchange</i>
BANKERS	<i>Canadian Imperial Bank of Commerce</i>
AUDITORS	<i>Clarkson, Gordon & Co.</i>
TRANSFER AGENT AND REGISTRAR	<i>Canada Permanent Trust Company</i>

ECONOMIC INVESTMENT TRUST LIMITED

THE YEAR AT A GLANCE 49th Annual Report

	1975	1974
Total Revenues	\$ 1,220,675	\$ 1,074,924
Net Profit	1,097,837	966,022
Net Profit per Common Share	\$0.84	\$0.70
Dividend per Common Share	\$0.70	\$0.65
Total Net Assets (Market Value)	26,475,662	24,025,473
Break-up Value per Common Share	\$21.02	\$18.50

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at 11:00 a.m. on Thursday, April 22, 1976 in the Board Room of The Dominion of Canada General Insurance Company, 10th Floor, 165 University Avenue, Toronto. All Shareholders are invited to attend.

ECONOMIC INVESTMENT TRUST LIMITED

Tenth Floor, 165 University Avenue, Toronto, Ontario, Canada

BOARD OF DIRECTORS

HENRY N.R. JACKMAN

*Chairman of the Board
The Empire Life Insurance Company*

A. BRUCE MATTHEWS, C.B.E., D.S.O.

*Executive Vice-President
Argus Corporation*

LAWRENCE W. SKEY, D.F.C.

*Managing Director
Economic Investment Trust Limited*

FREDERICK W.P. JONES

Financial Consultant

JOHN A. RHIND

*Chairman of the Board
The National Life Assurance Company of Canada*

A. GEORGE DRAGONE

*Managing Director
Canadian & Foreign Securities Co. Limited*

OFFICERS

HENRY N.R. JACKMAN

Chairman of the Board

LAWRENCE W. SKEY

Managing Director

L. RUTH ROONEY

Secretary-Treasurer

ECONOMIC INVESTMENT TRUST LIMITED CHAIRMAN'S REPORT TO THE SHAREHOLDERS

Total net assets of Economic Investment Trust increased from \$24,025,000 to \$26,475,000 during 1975. After deducting \$52.50 (call price) for each preferred share, the liquidating value behind each common share was \$21.02 which represents a 13.6 per cent increase over the comparable figure of \$18.50 a year ago. This increase compares favourably with a 9.9 per cent increase in the Toronto Stock Exchange Industrial Average.

Although there was a modest improvement in Canadian security prices during 1975, this improvement failed to keep pace with the much more substantial gains in stock markets in other financial centres. For instance, the New York Stock Exchange Averages rose by over 38 per cent while the Australian, French and German markets had comparable gains. The United Kingdom market experienced a record gain of over 125 per cent.

Canadian common stocks are now selling at a lower price relative to earnings than the stocks of other major world markets. This is occurring at a time when most 1976 forecasts for real growth in our Gross National Product range between 5 per cent and 6 per cent and increases in reported corporate profits are expected to exceed 10 per cent.

The reason for the poor performance of Canadian security markets is not difficult to understand. Internally generated inflation has resulted in much higher interest rates in Canada than in other countries of the world. The complex anti-inflation board controls program is not popular with business, investors, labour and consumers, particularly when accompanied by a flat refusal from the Federal Government to accept responsibility for inflation coupled with its cynical attempts to push the responsibility off onto the free market economy. It is no wonder that business confidence is at a low ebb.

Perhaps the most disturbing prospect in 1976 is that business capital spending may slow down very sharply and that economic growth, such as it is, will be fueled by personal spending and government outlays that do little to improve Canada's productivity. In any event, Canadian productivity has slipped badly relative to our trading partners.

Capital spending and the level of stock prices are directly related. At the present time, share prices of Canadian companies are selling at such low levels that Canadian corporations cannot raise the necessary equity capital to increase productivity and make Canadian goods competitive in export markets.

In order for the free enterprise system to work, Canadian industry must have more equity capital. But, if the present hostility between the federal government and the business community and organized labour continues, it is doubtful whether sufficient equity capital can be raised to maintain the free market in Canada for any prolonged period.

The most effective way of restoring confidence in the equity market is for the Federal Government to combat inflation through fiscal and monetary measures while leaving the free market economy alone to work towards increased productivity and increased job opportunities.

Given a more realistic attitude by the government, there is no reason why the shares of Canadian companies should continue to sell for only 60 per cent to 70 per cent of comparable values in the U.S. market. Canadian equities in 1976 have the potential to experience one of the sharpest rises in our history, bringing a renewed confidence to the opportunities for future capital expansion and economic growth.

Net earnings of Economic Investment Trust were a record \$1,098,000 equivalent to 84 cents per common share. As a result of these higher earnings we were able in 1975 to raise the dividend from 65 cents to a record 70 cents per share.

Although investment companies as such are exempt from the dividend freeze, shareholders should be conscious that the great majority of our investments are in shares of Canadian public companies which are subject to the dividend freeze. It is unlikely, therefore, that Economic shareholders will receive a higher dividend in 1976 than in 1975.

On behalf of the Board

H.N.R. JACKMAN, Chairman

*Toronto, Canada
March 12, 1976.*

ECONOMIC INVESTMENT TRUST LIMITED

(Incorporated under the Canada Corporations Act)

BALANCE SHEET

	December 31	
	<u>1975</u>	<u>1974</u>
ASSETS		
Investments at market value (note 3)		
(Cost: 1975 — \$22,181,680; 1974 — \$19,769,403)	\$26,436,285	\$22,481,888
Cash and short-term deposit receipts	48,999	1,521,028
Due from brokers for securities sold		34,259
Accounts receivable	12,077	6
Income taxes recoverable		68,286
	<u>\$26,497,361</u>	<u>\$24,105,467</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Due to brokers for securities purchased	\$ 769	\$ 74,477
Accounts payable and accrued charges	8,370	5,517
Income taxes payable	12,560	
	<u>21,699</u>	<u>79,994</u>
Shareholders' equity:		
Share capital—		
Authorized:		
192,780 preferred shares of \$50 par value		
(exclusive of 7,220 shares redeemed)		
2,500,000 common shares of no par value		
Issued:		
92,780 5% cumulative preferred shares Series A,		
redeemable at \$52.50 (95,705 in 1974) (note 4)	4,639,000	4,785,250
1,032,940 common shares	4,116,691	4,116,691
Surplus—		
Contributed surplus	664,651	600,713
Earned surplus	1,131,785	991,468
Accumulated surplus on sale of investments	11,668,930	10,818,866
Unrealized appreciation of investments	4,254,605	2,712,485
	<u>26,475,662</u>	<u>24,025,473</u>
	<u>\$26,497,361</u>	<u>\$24,105,467</u>

On behalf of the Board:

HENRY N.R. JACKMAN Director

LAWRENCE W. SKEY Director

(See accompanying notes)

ECONOMIC INVESTMENT TRUST LIMITED
STATEMENTS OF REVENUE AND EXPENSES AND EARNED SURPLUS

	Year ended December 31	
	<u>1975</u>	<u>1974</u>
REVENUE AND EXPENSES		
Revenue received:		
Dividends from taxable Canadian corporations	\$ 1,046,595	\$ 930,050
Dividends from other corporations	15,615	33,272
Interest	158,465	111,602
	<u>1,220,675</u>	<u>1,074,924</u>
Expenses:		
Administrative expenses (including, in 1975, non-recurring expenses of \$7226.)	48,155	40,112
Directors' fees and salaries	39,727	36,028
Bank interest and charges	3,076	12,720
Transfer agent's and auditors' fees	9,277	7,931
Legal fees	2,603	111
	<u>102,838</u>	<u>96,902</u>
Profit before income taxes	1,117,837	978,022
Income taxes	20,000	12,000
Net profit for year (per common share:		
1975 — \$0.84; 1974 — \$0.70)	<u>\$ 1,097,837</u>	<u>\$ 966,022</u>
EARNED SURPLUS		
Balance at beginning of year	\$ 991,468	\$ 936,682
Add net profit for year	1,097,837	966,022
	<u>2,089,305</u>	<u>1,902,704</u>
Deduct:		
Dividends paid out of investment income on—		
Preferred shares (\$2.50 per share)	234,462	239,825
Common shares (1975 — \$0.70 per share) (1974 — \$0.65)	723,058	671,411
	<u>957,520</u>	<u>911,236</u>
Balance at end of year	<u>\$ 1,131,785</u>	<u>\$ 991,468</u>

Note: Included in earned surplus is capital surplus arising under Section 62 of the Canada Corporations Act amounting to \$255,928 in 1975 and \$173,616 in 1974. During 1975 \$82,312 was transferred from earned surplus to this capital surplus to cover the cost of preferred shares redeemed during the year.

(See accompanying notes)

ECONOMIC INVESTMENT TRUST LIMITED
STATEMENTS OF CONTRIBUTED SURPLUS, ACCUMULATED SURPLUS ON SALE OF INVESTMENTS,
UNREALIZED APPRECIATION OF INVESTMENTS AND CHANGES IN NET ASSETS

	Year ended December 31	
	1975	1974
CONTRIBUTED SURPLUS		
Balance at beginning of year	\$ 600,713	\$ 588,288
Add excess of par value of preferred shares redeemed over repurchase price thereof (note 4)	63,938	12,425
Balance at end of year	<u>\$ 664,651</u>	<u>\$ 600,713</u>
ACCUMULATED SURPLUS ON SALE OF INVESTMENTS		
Balance at beginning of year	<u>\$10,818,866</u>	<u>\$10,411,861</u>
Net surplus on securities sold during the year (no taxes payable thereon):		
Proceeds of sales	3,445,767	4,358,432
Investments at cost, beginning of year	19,769,403	20,800,617
Investments purchased during year	5,007,980	2,920,213
Investments at cost, end of year	(22,181,680)	(19,769,403)
Cost of investments sold	2,595,703	3,951,427
	850,064	407,005
Balance at end of year	<u>\$11,668,930</u>	<u>\$10,818,866</u>
UNREALIZED APPRECIATION OF INVESTMENTS		
Balance at beginning of year	\$ 2,712,485	\$11,633,884
Net increase (decrease) for year	1,542,120	(8,921,399)
Balance at end of year	<u>\$ 4,254,605</u>	<u>\$ 2,712,485</u>
CHANGES IN NET ASSETS		
Net assets at beginning of year	<u>\$24,025,473</u>	<u>\$32,502,656</u>
Additions:		
Net surplus on securities sold (no taxes payable thereon)	850,064	407,005
Net profit for year	1,097,837	966,022
Increase in unrealized appreciation of investments	1,542,120	
	3,490,021	1,373,027
Deductions:		
Dividends paid — on preferred shares	234,462	239,825
— on common shares	723,058	671,411
Decrease in unrealized appreciation on investments		8,921,399
Cost of preferred shares redeemed (note 4)	82,312	17,575
	1,039,832	9,850,210
Net increase (decrease) for year	2,450,189	(8,477,183)
Net assets at end of year	<u>\$26,475,662</u>	<u>\$24,025,473</u>

(See accompanying notes)

ECONOMIC INVESTMENT TRUST LIMITED
NOTES TO FINANCIAL STATEMENTS
December 31, 1975

1. Summary of accounting policies

The following is a summary of the accounting policies consistently followed by the company:

(a) Basis of determining market value —

The company's investments are stated at a market value in these financial statements to facilitate the computation of net asset value on a market value basis. In the accounts of the company, however, investments are stated at cost and not adjusted for fluctuations in market value.

The market value of each listed security is determined as the latest sale price thereof reported by the principal securities exchange on which the issue is traded or, if no sale is reported, the latest bid price is used. Securities which are traded over-the-counter are priced at the bid price quoted by a major dealer in such securities.

(b) Investment transactions —

Investment transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses from investment transactions and unrealized appreciation of investments are calculated on an average cost basis.

(c) Foreign exchange —

Foreign currency amounts included in the financial statements are stated in Canadian dollars on the following bases:

- (i) Market value of investment securities, other assets and liabilities — at the closing rate of exchange in each year;
- (ii) Purchases and sales of investment securities, revenue and expenses — at the rate of exchange prevailing when the transactions giving rise to such items occurred.

2. Income taxes

Throughout the years ended December 31, 1972 to 1975, the company has qualified as an "investment corporation" under Section 130 of the Income Tax Act. The investment income of an "investment corporation", other than dividends received from taxable Canadian corporations (which are not taxed in the company), is taxed at a reduced rate.

Taxes (1975, 1974 and 1973 — nil; 1972 — \$110,000) paid by the company to December 31, 1975 on net taxable capital gains realized by it after January 1, 1972 have been charged during such period against accumulated surplus on sale of investments. Such taxes are refundable to the company as long as it continues to qualify as an "investment corporation", and will be refunded to the company on any distribution of such gains to shareholders in the form of capital gains dividends.

At December 31, 1975, there was approximately \$172,000 of unrealized capital losses for tax purposes, net of unrealized gains, on securities held in the investment portfolio at that date.

3. Bank indebtedness

Bank indebtedness of the company that may be outstanding from time to time is secured by hypothecation of the company's investments.

4. Preferred shares

During the year the company purchased certain preferred shares for redemption at a cost of \$82,312. The excess (\$63,938) of the par value of these shares (\$146,250) over their purchase price has been credited to contributed surplus.

5. Statutory information

During the year the company had six directors and four officers, three of whom were also directors. The following aggregate remuneration was paid to the directors and officers during the year ended December 31, 1975; directors, as directors \$19,100 (1974 — \$18,600); officers, as officers \$23,831 (1974 — \$21,413).

AUDITORS' REPORT

To the Shareholders of
Economic Investment Trust Limited:

We have examined the balance sheet and investment portfolio of Economic Investment Trust Limited as at December 31, 1975, and the statements of revenue and expenses, earned surplus, contributed surplus, accumulated surplus on sale of investments, unrealized appreciation of investments and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position and investment portfolio of the company as at December 31, 1975 and the results of its operations and the changes in its net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 15, 1976.

CLARKSON, GORDON & CO.
Chartered Accountants

ECONOMIC INVESTMENT TRUST LIMITED

INVESTMENT PORTFOLIO AS AT DECEMBER 31, 1975

	<u>Par value</u>	<u>Market value</u>
DEBENTURES (5.8% of net assets)		
Ashland Oil Canada Limited 5% Conv. Sub.		
Debentures due January 15, 1993	\$ 100,000	\$ 64,000
Hudson's Bay Company 6% Exchange Sub.		
Debentures due July 15, 1993	\$ 500,000	395,000
Moore Corporation Limited 6% Conv. Sub.		
Debentures due April 1, 1994	\$ 1,000,000	950,000
Pacific Petroleum Ltd. 5% Conv. Sub.		
Debentures due May 1, 1992	\$ 145,000	113,100
		<u>\$ 1,522,100</u>
PREFERRED SHARES (0.7% of net assets)		
	<u>Number of shares</u>	
Fulcrum Investment Co. Ltd. 6% Cum. Pref. "A"	30,000	<u>\$ 191,250</u>
COMMON AND CONVERTIBLE PREFERRED SHARES (93.4% of net assets)		
BANKS AND TRUST COMPANIES (36.4% of net assets) —		
Bank of Nova Scotia	60,000	\$ 2,437,500
Canadian Imperial Bank of Commerce	40,000	1,000,000
Mercantile Bank of Canada	20,000	325,000
Metropolitan Trust Company	52,203	652,537
Royal Bank of Canada	11,000	328,625
Toronto-Dominion Bank	130,000	2,502,500
Victoria & Grey Trust Company	100,000	2,400,000
		<u>\$ 9,646,162</u>
ENTERTAINMENT AND RECREATION (0.3% of net assets) —		
Standard Broadcasting Corp. Ltd.	10,000	<u>\$ 75,000</u>
FINANCIAL, INSURANCE AND FUNDS (9.1% of net assets) —		
Dale Ross Holdings Ltd.	50,000	\$ 362,500
E—L Financial Corp. Ltd. Conv. Pref. "A"	105,675	528,375
E—L Financial Corp. Ltd.	27,325	124,328
Fulcrum Investment Co. Ltd.	54,000	140,400
London Life Insurance Company	7,000	665,000
Noel Mutual Fund Ltd. — special shares	1,490	171,084
United Canadian Shares Ltd.	54,960	425,940
		<u>\$ 2,417,627</u>

ECONOMIC INVESTMENT TRUST LIMITED

INVESTMENT PORTFOLIO AS AT DECEMBER 31, 1975 (continued)

	Number of shares	Market value
FOOD, BEVERAGE AND TOBACCO (4.5% of net assets) —		
Bright & Co. Ltd., T.G. "A"	50,000	\$ 443,750
Crush International Limited	5,000	38,750
The Seagram Company Limited	15,000	408,750
Walker-Gooderham & Worts, Ltd., Hiram "A"	10,000	287,500
		<u>\$ 1,178,750</u>
GENERAL MANUFACTURING (3.0% of net assets) —		
Avco Corporation	35,000	\$ 164,530
Boeing Company	7,000	173,423
Dominion Foundries & Steel Ltd.	20,000	452,500
		<u>\$ 790,453</u>
METALS AND MINING (14.1% of net assets) —		
Denison Mines Ltd.	10,000	\$ 567,500
Dome Mines Ltd.	35,000	1,295,000
Hollinger Mines Ltd. "A"	25,000	700,000
Homestake Mining Co.	15,000	541,233
International Nickel Co. of Canada Ltd. "A"	10,000	255,000
Kerr Addison Mines Limited	10,000	98,750
Sigma Mines (Quebec) Ltd.	11,400	239,400
Sullivan Mining Group Ltd. "A"	27,000	38,880
		<u>\$ 3,735,763</u>
OIL, GAS AND PIPELINES (10.2% of net assets) —		
Alberta Gas Trunk Line Co. Ltd. "A"	50,000	\$ 568,750
Gulf Oil Canada Ltd.	15,000	412,500
Home Oil Company Limited "A"	18,290	493,830
Husky Oil Ltd.	3,000	53,250
Interprovincial Pipe Line Limited	25,000	300,000
Shell Canada Ltd. "A"	40,000	585,000
Texaco Canada Ltd.	10,000	297,500
		<u>\$ 2,710,830</u>
PRINTING AND PUBLISHING (4.2% of net assets) —		
Moore Corporation Ltd.	15,000	\$ 718,125
Thomson Newspapers Ltd. "A"	30,000	397,500
		<u>\$ 1,115,625</u>

ECONOMIC INVESTMENT TRUST LIMITED

INVESTMENT PORTFOLIO AS AT DECEMBER 31, 1975 (continued)

	Number of shares	Market value
PUBLIC UTILITIES (4.9% of net assets) —		
Bell Canada	15,600	\$ 670,800
British Columbia Telephone Company	50,000	556,250
Northern Electric Company, Limited "Wts"	10,000	80,000
		<u>\$ 1,307,050</u>
PULP AND PAPER (1.5% of net assets) —		
Price Co. Ltd.	30,000	<u>\$ 397,500</u>
TRANSPORTATION (5.1% of net assets) —		
Algoma Central Railway	90,000	\$ 1,147,500
Canadian Pacific Limited	15,000	200,625
		<u>\$ 1,348,125</u>
MISCELLANEOUS (0.1% of net assets) —		
Sundry securities		<u>\$ 50</u>
TOTAL COMMON AND CONVERTIBLE PREFERRED SHARES		<u>\$24,722,935</u>
TOTAL INVESTMENT PORTFOLIO		<u>\$26,436,285</u>

SUMMARY

	Market value	% of net assets
Debentures	\$ 1,522,100	5.8%
Preferred shares	191,250	0.7%
Common and convertible preferred shares	24,722,935	93.4%
Cash and cash items (net)	<u>39,377</u>	<u>.1%</u>
TOTAL NET ASSETS	<u>\$26,475,662</u>	<u>100.0%</u>

(See accompanying notes)

ECONOMIC INVESTMENT TRUST LIMITED

Financial Record - 1928 - 1975

Year Ending March 31	Gross Income	Expenses			Income Taxes	Net Income	Total Net Assets	Funded Debt and Preferred Share†	Available for Common Shares	Common Shares Outstanding*	Asset Value per Common Share *
		Bond and Debt Interest	Amount	% of Net Assets							
1928	\$106,907	\$20,742	\$24,968	1.390	\$ 1,361	\$59,836	\$ 1,794,643	\$1,000,000	\$ 794,643	403,125	\$ 1.97
1933	98,327	48,664	12,562	1.080	563	36,538	1,161,715	962,500	199,215	499,062	0.40
1938	157,194	48,216	16,507	.813	3,090	89,381	2,028,005	1,000,000	1,028,005	499,062	2.06
1943	156,515	50,000	15,884	.610	11,079	79,552	2,604,866	1,000,000	1,604,866	499,062	3.22
1948	157,877	30,000	17,823	.506	—	110,054	3,522,969	1,000,000	2,522,969	500,000	5.05
Year Ending Dec. 31		Bond, Bank and Debt Interest									
1953	276,684	37,635	29,647	.570	19,500	189,902	5,197,984	1,250,000	3,947,984	625,000	6.32
1961	489,840	85,867	35,713	.235	20,000	348,260	15,222,286	2,509,500	12,712,786	969,855	13.09
1962	548,028	67,285	40,016	.251	13,000	427,727	15,959,654	4,100,000	11,859,654	1,032,940	11.48
1963	614,170	61,743	43,037	.244	14,000	495,390	17,633,299	4,100,000	13,533,299	1,032,940	13.10
		Bank Interest									
1964	678,595	5,464	45,973	.219	11,000	616,158	20,955,088	5,250,000	15,705,088	1,032,940	15.20
1965	762,143	3,749	46,506	.212	8,000	703,888	21,897,735	5,250,000	16,647,735	1,032,940	16.12
1966	800,963	1,105	49,136	.251	13,500	737,222	19,613,106	5,250,000	14,363,106	1,032,940	13.91
1967	858,076	3,331	46,973	.204	19,000	788,772	23,076,097	5,128,462	17,947,635	1,032,940	17.38
1968	805,538	2,494	51,221	.187	19,000	732,823	27,392,675	5,061,263	22,331,412	1,032,940	21.62
1969	845,570	1,693	54,583	.210	30,000	759,294	25,942,615	5,061,263	20,881,352	1,032,940	20.22
1970	884,250	681	57,397	.236	28,000	798,172	24,365,591	5,061,263	19,304,328	1,032,940	18.69
1971	870,352	8,346	62,674	.230	18,000	781,332	27,254,532	5,056,013	22,198,519	1,032,940	21.49
1972	908,069	1,066	68,013	.196	3,500	835,490	34,784,901	5,056,013	29,832,388**	1,032,940	28.88
1973	960,695	13,371	79,683	.245	4,968	862,673	32,502,656	5,056,013	27,556,643**	1,032,940	26.67
1974	1,074,924	10,627	86,275	.359	12,000	966,022	24,025,473	5,024,513	19,110,960**	1,032,940	18.50
1975	1,220,675	722	102,116	.384	20,000	1,097,837	26,475,662	4,870,950	21,714,712**	1,032,940	21.02

† Preferred Shares at redemption price of \$52.50 per share.
 * Adjusted for 5-for-2 split in 1951 and 5-for-1 split in 1963.
 ** Including refundable capital gains tax on hand.

